

RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT

FEDERAL ELECTION COMMISSION

2004 OCT 15 A 10:06

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

2004 OCT 14 A 11:57

In the Matter of: Alan L. Keyes

Jack Roeser

Empower Illinois

Empower Illinois Media Fund

Jeffrey D. Davis, President

MUR NO: **5568**

COMPLAINT

SENSITIVE

1. Citizens for Responsibility and Ethics in Washington hereby brings this complaint before the Federal Election Commission seeking an immediate FEC investigation and enforcement action against Alan L. Keyes, Jack Roeser, Empower Illinois, Empower Illinois Media Fund, and Jeffrey D. Davis for direct and serious violations of federal campaign finance law.

Complainant

2. Citizens for Responsibility and Ethics in Washington is a non-profit, non-partisan organization dedicated to ensuring accountability in public officials.

Respondents

3. Alan L. Keyes is a Republican candidate for the United States Senate from the state of Illinois. He announced his candidacy on August 8, 2004 after the initial Republican candidate, Jack Ryan, dropped out of the race .

4. Empower Illinois and Empower Illinois Media Fund (collectively, "the committees") were organized under section 527 of the Internal Revenue Code on August 20, 2004. According to its Form 8871, "Empower Illinois is an educational and political advocacy organization formed for the purpose of engaging Illinois citizens and empowering them to become involved in the political process, to mobilize voters in Illinois on the basis of issues and

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philosophy to support quality candidates in Illinois.” (Form attached as Exhibit A). Empower Illinois Media Fund’s purpose, according to its Form 8871, is to “engage in political advocacy and, in particular, to conduct advertising to educate the citizens of Illinois regarding Illinois candidates, political parties and issues.” (Form attached as Exhibit B).

5. Jeffrey D. Davis is the president of both Empower Illinois and Empower Illinois Media Fund. Mr. Davis previously served as a political consultant for former Senate candidate Jack Ryan as well as treasurer of Jack Ryan for Senate. See FEC Form 3, filed April 20, 2004 and FEC Form 3, filed July 20, 2004 (attached as Exhibit C). According to Schedule B of the July 20, 2004 Report filed with the FEC, Jack Ryan for Senate paid Mr. Davis’s consulting firm \$5,000 for “political consulting services” (Schedule B attached as Exhibit D).

6. Jack Roeser is the chairman and founder of Otto Engineering Inc. Mr. Roeser has pledged to raise \$1 million for Keyes' candidacy. Scott Fornek, Keyes, GOP discuss taking on Obama ; Md. Republican Mum on Whether He'd Run, *Chicago Sun-Times*, Aug. 4, 2004 (attached as Exhibit E). He recently hosted a fundraiser for Keyes in Carpentersville, Illinois that raised \$10,000. Lynn Sweet, Pressure's Greater on Bush to Perform Well Tonight, *Chicago Sun-Times*, Oct. 8, 2004 (attached as Exhibit F).

Jurisdiction

7. The Commission has the authority to take enforcement action based on a complaint where it finds reason to believe that a person “has committed, or is about to commit,” a violation of the law.” 2 U.S.C. §§ 437g(a)(2), 437g(a)(4)(A)(I), 437g(a)(6)(A); see also 11 C.F.R. § 111.4(a) (“Any person who believes that a violation . . . has occurred or is about to occur may file a complaint . . .”). Based on published reports, Empower Illinois and Empower Illinois Media Fund have committed and are about to commit violations of the law by raising

and spending significant amounts of soft money to influence the 2004 Senate election in Illinois. Moreover, the organizations are doing so without registering as federal political committees and without complying with the rules applicable to such political committees.

Factual Allegations

8. In August, Mr. Roeser told the Associated Press that while he planned to spend \$100,000 to help Mr. Keyes's election, "he would not if Keyes backs [slave] reparations." Mike Robinson, Keyes Explains 'Market-Oriented' Approach to Slave Reparations, *Associated Press*, Aug. 17, 2004 (attached as Exhibit G). After Mr. Keyes publicly announced his support of reparations, Mr. Roeser and Mr. Keyes had a long meeting during which they discussed the issue. Scott Fornek, Keyes Won't Back Down on Reparations, *Chicago Sun-Times*, Aug. 19, 2004 (attached as Exhibit H). After this meeting, Mr. Keyes' support of reparations became somewhat more nuanced and Mr. Roeser recommitted to helping Mr. Keyes's candidacy. *See id.*; Doug Finke, Obama Stars on Governor's Day, *State Journal-Register*, available at <http://www.sj-r.com/sections/other/statefair/stories/33093.asp> (attached as Exhibit I); *See Alan Keyes on Reparations*, *Illinois Leader*, 8/17/04 (attached as Exhibit J).

9. On Wednesday, October 6, 2004, Mr. Roeser gave \$40,000 to Empower Illinois. *See Sweet, supra* Exhibit F; *see also* Teresa Black, Keyes Warmly Received During Stump in C'Ville, *Courier News*, Oct. 3, 2004, available at <http://www.suburbanchicagonews.com/couriernews/archives/build/e03keyes.htm> (attached as Exhibit K). Previously, Mr. Roeser had stated that he planned to contribute up to \$100,000 to an independent group that was going to help the pro-Keyes effort. Greg Hinz, Keyes Guarantees Rocky Ride for GOP, *Crain's Chi. Bus.*, Aug. 16, 2004 (attached as Exhibit L).

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10. On Monday October 11, 2004, Empower Illinois Media Fund began running a paid advertisement on television stations in Champaign, Springfield and Decatur, Illinois. Eric Krol, New Ad to criticize Obama's votes on crime, abortion, *Daily Herald*, October 12, 2004 (attached as Exhibit M). The text of the ad makes it clear that the group is "attempting to influence the selection, nomination, election, or appointment" of Alan Keyes to the United States Senate.

COUNT I

11. Empower Illinois and Empower Illinois Media Fund are "political committees" under the Federal Election Campaign Act ("FECA") because they are entities which have as a "major purpose" the intent to influence a federal election and have received contributions or made expenditures of over \$1,000 in a calendar year. *See* 2 U.S.C. §431(4). A "contribution" is defined as "any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office . . ." 2 U.S.C. §431(8)(A). Similarly, an expenditure is defined as "any purchase, payment, distribution, loan, advance, deposit, or gift of money or anything of value, made by any person for the purpose of influencing any election for Federal office . . ." 2 U.S.C. §431(9)(A).

12. Any entity which meets the definition of "political committee" must file a "statement of organization" with the Commission and file periodic disclosure reports of its receipts and disbursements. 2 U.S.C. §§ 433, 434. In addition, a "political committee" is subject to contribution limits and source prohibitions on the contributions it may receive and make. 2 U.S.C. §§ 441a(a)(1), 441a(a)(2), 441b(a), 441a(f). A political committee may not receive more than \$5,000 per year from an individual donor and may not receive any contributions from unions or corporations. 2 U.S.C. §§ 441a(a)(1)(C), 441b(a).

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13. In Buckley v. Valeo, 424 U.S. 1, 79 (1976), the Supreme Court construed the term “political committee” to encompass “organizations that are under the control of a candidate or the major purpose of which is the nomination or election of a candidate. In FEC v. Massachusetts Citizens for Life, 479 U.S. 238, 262 (1986), the Supreme Court noted that if a group’s independent spending activities “become so extensive that the organization’s major purpose may be regarded as campaign activity, the corporation would be classified as a political committee.” If this occurred, the Court continued, the group would become subject to the “obligations and restrictions applicable to those groups whose primary objective is to influence political campaigns.” Id.

14. In FEC v. GOPAC, 917 F.Supp. 851, 859 (D.D.C. 1996), the District of Columbia district court held that an organization is a “political committee” under the FECA if it received or expended \$1,000 or more and had as its major purpose the election of a particular candidate or candidates for federal office. The court stated that an organization’s major purpose “may be evidenced by its public statements of its purpose or by other means, such as its expenditures in case or in kind, to or for the benefit of a particular candidate or candidates.” Id.

15. Applying the “major purpose” test here, the Commission first must consider whether a “major purpose” of Empower Illinois and Empower Illinois Media Fund is to influence the election of a particular candidate or candidates for federal office. Given that these organizations were formed less than two weeks after Mr. Keyes announced he was running for Senate in Illinois, that these organizations have focused solely on the Senatorial election in Illinois, and that the organizations are run by the former treasurer for the Jack Ryan for Senate political committee, it is clear a major purpose of both organizations is to influence the election of a Senator from Illinois for the United States Senate.

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16. The second prong is met if a committee with a major purpose of influencing the election of a candidate for federal office receives “contributions” or makes “expenditures” aggregating in excess of \$1,000 in a calendar year. The test for whether something constitutes an “expenditure” is whether a disbursement is made “for the purpose of influencing” any federal election. Empower Illinois Media Fund received a \$40,000 contribution from Mr. Roeser, who has indicated that he plans to donate more money to the Fund as well. In addition, the cost of running the ad from October 12, 2004 through October 15, 2004, is \$25,000. Anti-Obama Ad begins on central Illinois TV, *Associated Press*, October 12, 2004 (attached as Exhibit N). Both figures exceed the proscribed limits.

17. As Empower Illinois’s and Empower Illinois Media Fund’s activities clearly meet the “major purpose” test, they are subject to the contribution limits, source prohibitions and reporting requirements that apply to all federal political committees. Because the organizations have not complied with these requirements, they are in violation of the law.

COUNT II

18. Empower Illinois and Empower Illinois Media Fund, by coordinating their activities with Alan Keyes for Senate, are in violation of the FECA. 11 C.F.R. §109.21. An expenditure for a communication is coordinated if it meets a three part test: the communication is paid for by someone other than the candidate, the candidate’s committee, a political party or agent of any of the three; and it satisfies the Commission’s content and conduct standards. 11 C.F.R. 109.21(a). “Coordinated” means “made in cooperation, consultation, or concert with, or at the request or suggestion of a candidate, a candidate’s authorized committee, or their agents . . .” 2 U.S.C. §441a(a)(7), 11 C.F.R. §109.20(a).

19. The “content standard” is satisfied when a communication: is an “electioneering communication,” when it redistributes campaign material to the public, when it expressly advocates a clearly identified federal candidate, or when it is a public communication mentioning a clearly identified political candidate. 11 C.F.R. §100.26

20. The “conduct standard” is satisfied – whether or not there is agreement or formal collaboration – if 1) “the communication is created, produced or distributed at the request or suggestion of a candidate, or an authorized committee, political party committee, or agent of any of the foregoing;” or 2) “the communication is created, produced, or distributed at the suggestion of a person paying for the communication and the candidate, authorized committee, political party committee or agent of any of the foregoing, assents to the suggestion.” 11 C.F.R. §§109.21(d)(1)(i), 109.21(d)(1)(ii).

21. The “conduct standard” may also be satisfied if “a candidate, an authorized committee, a political party committee or an agent of any of the foregoing” is “materially involved” in deciding the content or intended audience of the communication, the mode of communication, the media outlet to be used, the timing or frequency of the communication or the size, prominence or duration of a communication. 11 C.F.R. §109.21(d)(2).

22. Finally, the “conduct standard” can also be met if: 1) substantial discussions occur between the person paying for the communication, or employees or agents of that person, and the candidate, the candidate’s committee, political party committee or agents; 2) the communication is made by a common vendor and the vendor uses or conveys information between the candidate or political party and the person paying for the communications; 3) the communication is made by using a former employee of the candidate, the candidate’s committee

or political party committee and the information is used or conveyed to the person paying; or 4) the communication redistributes campaign material. 11 C.F.R. §109.21(d).

23. Applying the three part test, the payment prong is met because the advertisement being run in at least three Illinois media markets is paid for by Empower Illinois Media Fund, which is not a candidate, a candidate's committee, a political party, or agent of any of the three. 11 C.F.R. §109.21(a).

24. The "content standard" is met because the communications advocate the defeat of a clearly defined Federal candidate: Barack Obama, who is running for the open Senate seat in Illinois. *See* 11 C.F.R. § 109.21(a)(2). The 30 second ad, which can be viewed on the website, thetruthaboutobama.org, depicts a large photograph of Mr. Obama's head and imposes a running script on top of the picture. The text reads as follows:

WHAT DO WE REALLY KNOW ABOUT BARACK OBAMA?
DID YOU KNOW . . .

Obama opposes tougher sentences for gangs who kill innocent children.
Source: House Bill 1812, 2001

Obama wants schools to teach sex to kindergarteners.
Source: Senate Bill 99, 2003

Obama supports aborting children even when they are born alive.
Source: Senate Bill 230, 1997.

STOP
LOOK
LISTEN
LEARN THE TRUTH ABOUT OBAMA

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The “content standard” is further satisfied by this television ad because it constitutes a “public communication”: it refers to a clearly identified candidate for Federal office, it is being disseminated within 120 days of the election, and it is directed to voters. 11 C.F.R. §109.21(c)(4).

25. The “conduct standard” requires a review of the leadership of Empower Illinois and Empower Illinois Media Fund. As stated above, the treasurer and president of both organizations is Jeffrey Davis and prior to starting these organizations, Mr. Davis served as the treasurer for Jack Ryan’s political committee, and he was paid as a political consultant by the Ryan campaign.

26. The fact that Mr. Davis is a well known Republican operative who worked for Mr. Ryan’s campaign immediately prior to organizing Empower Illinois and Empower Illinois Media Fund clearly demonstrates that he is closely connected to a “political party committee,” *i.e.* the Republican party.

27. In addition, the evidence suggests that Mr. Keyes may have directed or suggested that Mr. Roeser contribute to Empower Illinois. Mr. Roeser at first committed to contributing large sums of money to help Mr. Keyes' candidacy. When Mr. Roeser appeared to waver after learning of Mr. Keyes's stance on reparations, the two men met and Mr. Keyes convinced Mr. Roeser to continue to support the campaign. Shortly after the meeting, Mr. Keyes “clarified” his view on reparations, claiming that he felt a “tax break for descendants of slaves might be appropriate in principle.” Keyes on reparations for descendants of slaves, *Press Release*, August 18, 2004 (attached as Exhibit O). Mr. Roeser ultimately made a large contribution to Empower Illinois. The implication of this series of events is that the candidate and Mr. Roeser, who funded the advertisements, may have had a substantial discussion about the communication

before it was aired, thereby satisfying the “conduct standard.” in violation of the law. 11 U.S.C. §109.21(d)(3).

28. Because Empower Illinois and Empower Illinois Media Fund’s communication meets the three part test for coordinated activity, its communications are prohibited under the FECA. 2 U.S.C. §441a(7).

COUNT III

29. Because Empower Illinois and Empower Illinois Media Fund are political committees under the Act, contributions are limited to \$5,000 per calendar year. 2 U.S.C. §441a(a)(2)(A). Mr. Roser, however, has admitted to contributing \$40,000 to the committees. Therefore, Mr. Roser has made an excessive contribution in violation of federal contribution limits.

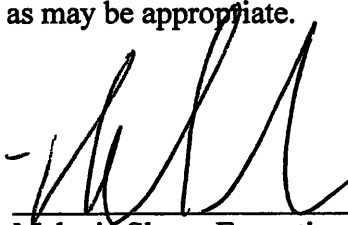
COUNT IV

30. Mr. Roser, by publicly stating that he was supporting Mr. Keyes’ campaign and subsequently donating \$40,000 to Empower Illinois Media Fund which created and is airing ads aimed at defeating Mr. Obama, did not make an independent expenditure, but rather an in-kind contribution to Mr. Keyes’ campaign. 2 U.S.C. §431(8)(A)(I). Federal campaign law defines “contribution” to include “any gift . . . or anything of value . . .” 2 U.S.C. §431(8)(A)(i). FEC regulations further define “contribution”:

For purposes of this section, the term anything of value includes all in-kind contributions. Unless specifically exempted under 11 CFR part 100, subpart C, the provision of any goods or services without charge or at a charge which is less than the usual and normal charge for such goods or services is a contribution. Examples of such goods or services include, but are not limited to . . . membership lists and mailing lists.

11 CFR 100.52(d)(1). Therefore, the creation and airing of the advertisement constitutes an in-kind contribution.

WHEREFORE, Citizens for Responsibility and Ethics in Washington requests that the Federal Election Commission conduct an investigation into these allegations, declare the respondents to have violated the federal campaign finance laws, impose sanctions appropriate to these violations and take such further action as may be appropriate.

A handwritten signature in black ink, appearing to read 'MS', is written over a horizontal line.

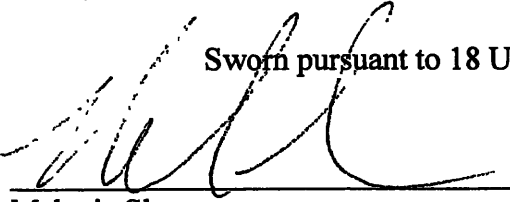
Melanie Sloan, Executive Director
Citizens for Responsibility and Ethics in
Washington
2nd Floor
11 DuPont Circle, N.W.
Washington, D.C. 20036
(202) 588-5565

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Verification

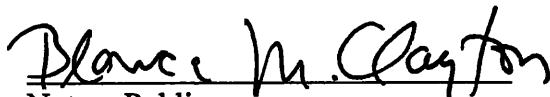
Citizens for Responsibility and Ethics in Washington, acting through Melanie Sloan, hereby verifies that the statements made in the attached Complaint are, upon information and belief, true.

Sworn pursuant to 18 U.S.C. § 1001.



Melanie Sloan

Sworn to and subscribed before me this 13th day of October, 2004.



Notary Public

NOTARY PUBLIC
STATE OF WASHINGTON
COMMISSION EXPIRES 12/31/2006

27044171165

27044171166

EXHIBIT A

**Political Organization
Notice of Section 527 Status**

OMB No 1545-1693

Part I General Information

1 Name of organization
Empower Illinois

Employer identification number
20 - 1516486

2 Mailing address (P.O. box or number, street, and room or suite number)

44 1/2 W. Downer Pl, 2d Floor

City or town, state, and ZIP code

Aurora, IL 60506

3 Check applicable box: ☒ Initial notice ☐ Amended notice ☐ Final notice

4a Date established
08/20/2004

4b Date of material change

5 E-mail address of organization
no@email

6a Name of custodian of records
Jeffrey D Davis

6b Custodian's address
44 1/2 W. Downer Pl, 2d Floor
Aurora, IL 60506

7a Name of contact person
Jeffrey D. Davis

7b Contact person's address
44 1/2 W. Downer Pl, 2d Floor
Aurora, IL 60506

8 Business address of organization (if different from mailing address shown above). Number, street, and room or suite number

44 1/2 W. Downer Pl, 2d Floor

City or town, state, and ZIP code

Aurora, IL 60506

9a Election authority

9b Election authority identification number

NONE

Part II Notification of Claim of Exemption From Filing Certain Forms (see instructions)

10a Is this organization claiming exemption from filing Form 8872, Political Organization Report of Contributions and Expenditures, as a qualified state or local political organization? Yes ☐ No ☒

10b If 'Yes,' list the state where the organization files reports:

11 Is this organization claiming exemption from filing Form 990 (or 990-EZ), Return of Organization Exempt from Income Tax, as a caucus or association of state or local officials? Yes ☐ No ☒

Part III Purpose

12 Describe the purpose of the organization

Empower Illinois is an educational and political advocacy organization formed for the purpose of engaging Illinois citizens and empowering them to become involved in the political process, to mobilize voters in Illinois on the basis of issues and philosophy to support quality candidates in Illinois

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Part IV List of All Related Entities (see instructions)**13 Check if the organization has no related entities.****14a Name of related entity****14b Relationship****14c Address**

Empower Illinois Media Fund

Affiliated

44 1/2 W Downer Pl, 2d Floor
Aurora, IL 60506**Part V List of All Officers, Directors, and Highly Compensated Employees (see instructions)****15a Name****15b Title****15c Address**

Jeffrey D Davis

President

44 1/2 W. Downer Pl, 2d Floor
Aurora, IL 60506

Under penalties of perjury, I declare that the organization named in Part I is to be treated as a tax-exempt organization described in section 527 of the Internal Revenue Code, and that I have examined this notice, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. I further declare that I am the official authorized to sign this report, and I am signing by entering my name below.

Jeffrey D. Davis

08/20/2004

**Sign
Here**

Name of authorized official

Date

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27044171169

EXHIBIT B

Political Organization
Notice of Section 527 Status

OMB No. 1545-1693

Part I General Information

1 Name of organization
Empower Illinois Media Fund

Employer identification number
20 - 1516456

2 Mailing address (P.O. box or number, street, and room or suite number)

44 1/2 W Downer Place, 2d Floor

City or town, state, and ZIP code

Aurora, IL 60506

3 Check applicable box: ☒ Initial notice ☐ Amended notice ☐ Final notice

4a Date established

08/20/2004

4b Date of material change

5 E-mail address of organization
no@email

6a Name of custodian of records

Jeffrey D Davis

6b Custodian's address

44 1/2 W Downer Place, 2d Floor

Aurora, IL 60506

7a Name of contact person

Jeffrey D Davis

7b Contact person's address

44 1/2 W Downer Place, 2d Floor

Aurora, IL 60506

8 Business address of organization (if different from mailing address shown above). Number, street, and room or suite number

44 1/2 W Downer Place, 2d Floor

City or town, state, and ZIP code

Aurora, IL 60506

9a Election authority

NONE

9b Election authority identification number

Part II Notification of Claim of Exemption From Filing Certain Forms (see instructions)

10a Is this organization claiming exemption from filing Form 8872, Political Organization Report of Contributions and Expenditures, as a qualified state or local political organization? Yes ☐ No ☒

10b If 'Yes,' list the state where the organization files reports:

11 Is this organization claiming exemption from filing Form 990 (or 990-EZ), Return of Organization Exempt from Income Tax, as a caucus or associations of state or local officials? Yes ☐ No ☒

Part III Purpose

12 Describe the purpose of the organization

To engage in political advocacy and, in particular, to conduct advertising to educate the citizens of Illinois regarding Illinois candidates, political parties, and issues

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Part IV List of All Related Entities (see instructions)

13 Check if the organization has no related entities

14a Name of related entity	14b Relationship	14c Address
Empower Illinois	Affiliated	44 1/2 W Downer Place, 2d Floor Aurora, IL 60506

Part V List of All Officers, Directors, and Highly Compensated Employees (see instructions)

15a Name	15b Title	15c Address
Jeffrey D. Davis	President	44 1/2 W Downer Place, 2d Floor Aurora, IL 60506

Under penalties of perjury, I declare that the organization named in Part I is to be treated as a tax-exempt organization described in section 527 of the Internal Revenue Code, and that I have examined this notice, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. I further declare that I am the official authorized to sign this report, and I am signing by entering my name below.

Jeffrey D. Davis

08/20/2004

**Sign
Here**

Name of authorized official

Date

27044171171

27044171172

EXHIBIT C

24020243343
24020243343**FEC
FORM 3****REPORT OF RECEIPTS
AND DISBURSEMENTS**
For An Authorized CommitteeSECRETARY OF THE SENATE
04 APR 20 AM 10: 24

Office Use Only

1. NAME OF COMMITTEE (in full) **USE FEC MAILING LABEL OR TYPE OR PRINT** Example: If typing, type over the lines

Jack Ryan for U.S. Senate

ADDRESS (number and street)

118 N. Clinton Street, Suite 200

X

Check if different than previously reported. (ACC)

Chicago

IL

60661

2. FEC IDENTIFICATION NUMBER

C00387217

CITY

STATE

ZIP CODE

STATE DISTRICT

3. IS THIS REPORT

X

NEW (N)

OR

AMENDED (A)

IL

4. TYPE OF REPORT (Choose One)

(a) Quarterly Reports

X April 15 Quarterly Report (Q1)

July 15 Quarterly Report (Q2)

October 15 Quarterly Report (Q3)

January 31 Year-End Report (YE)

Termination Report (TER)

(b) 12-Day PRE-Election Report for the

Primary (12P)

General (12G)

Runoff (12R)

Convention (12C)

Special (12S)

Election on

In the State of

(c) 30-Day POST-Election Report for the

General (30G)

Runoff (30R)

Special (30S)

Election on

in the State of

5. Covering Period 02 26 2004 through 03 31 2004

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

Type or Print Name of Treasurer Jeffrey D. Davis, Assistant Treasurer

Signature of Treasurer Electronically Filed by Jeffrey D. Davis, Assistant Treasurer Date 04 15 2004

NOTE Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. 437g.

Office
Use
Only**FEC FORM 3**
(Revised 02/2003)

24020551719
24020551719RECEIVED
SECRETARY OF THE
PUBLIC
04 JUL 20 AM 10:45FEC
FORM 3REPORT OF RECEIPTS
AND DISBURSEMENTS

For An Authorized Committee

Office Use Only

1. NAME OF
COMMITTEE (in full)USE FEC MAILING LABEL
OR TYPE OR PRINTExample: If typing, type
over the lines

Jack Ryan for U.S. Senate

ADDRESS (number and street)

118 N. Clinton St., Suite 200

Check if different
than previously
reported. (AGC)

Chicago

IL

60601

2. FEC IDENTIFICATION NUMBER

CITY

STATE

ZIP CODE

STATE & DISTRICT

C000387217

IS THIS
REPORT

X

NEW
(N)

OR

AMENDED
(A)

IL

1

4. TYPE OF REPORT (Choose One)

(a) Quarterly Reports

April 15 Quarterly Report (Q1)

X July 15 Quarterly Report (Q2)

October 15 Quarterly Report (Q3)

January 31 Year-End Report (YE)

Termination Report (TER)

(b) 12-Day PRE-Election Report for the:

Primary (12P)

General (12G)

Runoff (12R)

Convention (12C)

Special (12S)

Election on

In the
State of

(c) 30-Day POST-Election Report for the:

General (30G)

Runoff (30R)

Special (30S)

Election on

In the
State of

5. Covering Period

04

01

2004

through

06

30

2004

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

Type or Print Name of Treasurer

Jeffrey D. Davis, Assistant Treasurer

Signature of Treasurer

Electronically Filed by Jeffrey D. Davis, Assistant Treasurer

Date

07

15

2004

NOTE Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. 437g.

Office
Use
OnlyFEC FORM 3
(Revised 02/2003)

27044171175

EXHIBIT D

24020552251
24020552251**SCHEDULE B (FEC Form 3)
ITEMIZED DISBURSEMENTS**Use separate schedule(s)
for each category of the
Detailed Summary PageFOR LINE NUMBER,
(check only one)

PAGE 533 / 554

<input checked="" type="checkbox"/> 17	<input type="checkbox"/> 18	<input type="checkbox"/> 19a	<input type="checkbox"/> 19b
20a	20b	20c	21

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)

Jack Ryan for U.S. Senate

Full Name (Last, First, Middle Initial)

A. DataTel Communications

Mailing Address 118 N Clinton Street, Suite 360-L

City
ChicagoState
ILZip Code
60681-Purpose of Disbursement
Telecommunication Services

Candidate Name

Office Sought:

☐ House
☐ Senate
☐ President
☐ District

Disbursement For:

☐ Primary
☐ General
☒ Other (specify)

State:

District:

Transaction ID: 0715200455E2902

Date of Disbursement

06 / 01 / 2004

Amount of Each Disbursement this Period

135.00

Refund or Disposal of Excess
Contributions Required Under
11 C.F.R. 400.53

TELECOMMUNICATION SERVICES

B. DataTel Communications

Mailing Address 118 N Clinton Street, Suite 360-L

City
ChicagoState
ILZip Code
60681-Purpose of Disbursement
Telecommunication Services

Candidate Name

Office Sought:

☐ House
☐ Senate
☐ President
☐ District

Disbursement For:

☐ Primary
☐ General
☒ Other (specify)

State:

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EXHIBIT E

Chicago Sun-Times

Scott Fornek, August 4, 2004

**HEADLINE: Keyes, GOP discuss taking on Obama;
Md. Republican mum on whether he'd run**

Conceding he is not convinced "it's a good idea to parachute into a state and go into a Senate race," former Republican commentator Alan Keyes nevertheless flew into Chicago from his home in Maryland today to talk to GOP leaders about the race against Democrat Barack Obama.

"I'm very flattered that they think that it's worthwhile to talk to me," Keyes told a horde of reporters in the Loop.

A former radio and TV talk show host, Keyes refused to say whether he was planning to ask the Republican State Central Committee to consider him for the race or what it would take for him to take the plunge.

But he sure sounded like a candidate trying out his lines.

"Well, I have come in in response to, I think, a very strong effort on the part of the leadership in the state of Illinois to take advantage of what is a priceless opportunity, a priceless opportunity for the state and for the country that arises from the fact that the Democrats have nominated somebody who is a radical ideologue but who is an articulate spokesman for the positions that have been characteristic of the Democratic platform," Keyes told reporters as he entered the panel's meeting at the Union League Club.

Keyes is one of two candidates that the central committee is considering to replace Jack Ryan, who stepped down amid allegations he once took his wife to sex clubs. On Tuesday, the panel winnowed down a field of 14 candidates to Keyes and former deputy drug czar Andrea Grubb Barthwell.

Barthwell, a supporter of abortion rights, is considered an ideological opposite of Keyes, a staunch opponent of abortion and gay rights. The central committee was planning to interview both today.

Keyes was greeted by about a couple dozen supporters waving "Keyes for U.S. Senate" and "Pro-Life, Pro-Marriage" signs.

"Keyes for Senate!" they chanted.

Conservative activist Jack Roeser, a wealthy businessman from the northwest suburbs, said he expected to help raise \$1 million for Keyes.

"He'll give some spine to the Republican Party, whose leadership hardly wants him," Roeser said. "But he's what they're going to take, and it's the best thing for the party. It means that the Republican Party will be running on Republican principles with a real spokesman."

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Joseph Scheidler, head of the Pro-Life Action League, was concerned about Keyes' lack of ties to Illinois, but said he thought the problem could be overcome.

"Once they start debating, I think people will get involved in the issues and he could win because he's so brilliant, such a good speaker," Scheidler said. "And I think it will be a good contest. However, Obama's a fantastic speaker, too. I was very impressed by his talk at the convention. . . . Here's a man with sincerity even though I disagree with a lot of his philosophy.

"Oh, a formidable opponent absolutely."

Keyes, who ran for president in 1996 and 2000, admitted the residency issue would be a problem.

"I do not take it for granted that it's a good idea to parachute into a state and go into a Senate race, so I think it has to be something where I would be convinced that that's not only consonant with federalism as I understand it, but that it's in the best interest of the state and of the nation," he told reporters. "And that's what it would have to be."

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EXHIBIT F

Chicago Sun-Times

Lynn Sweet, Washington Bureau Chief

October 8, 2004

Pressure's greater on Bush to perform well tonight

President Bush walks into tonight's second debate with John Kerry at Washington University in St. Louis under the most pressure to perform in a format that may not play to his strengths and after botching things up in their first showdown.

Bush has been testing a few new lines in past days to have at the ready tonight in the town hall-style meeting. The questions will be asked by real people, which adds unpredictability in how things unfold, especially if a questioner has an attitude.

In addition, the candidates may decide to roam or do something for effect -- such as remove a suit coat -- unlike the first debate, where they were mandated to stay behind their lecterns.

The president has been acknowledging that he created a problem for himself by looking variously angry, arrogant or irritated during their first debate last Thursday in Coral Gables, Fla.

At a rally Thursday in Wausau, Wis., Bush updated a line in his stump speech, where he has been mocking Kerry for calling the Iraq war "the wrong war in the wrong place at the wrong time."

Said Bush, "You hear all that, you can understand why somebody would make a face." The president had a variation on the same "face" line in a speech Wednesday in Wilkes-Barre, Pa., where he also practiced some damage control for going on and on in the first debate about how much "hard work" it is being president.

"It wasn't easy for my opponent to become the single most liberal member of the Senate. You might even say it was hard work," Bush said.

'Soft' supporters in audience

The second of three debates will be moderated by ABC's Charles Gibson, with the 90-minute session governed by rules negotiated by the two campaigns.

Don't expect a lot of town hall-like give-and-take, however, because the people asking the questions in the audience are banned from any follow-ups.

The audience will consist of between 100 and 150 people -- not undecided, but likely voters who see themselves as "soft" supporters of the president or the Massachusetts senator -- selected by Gallup, the polling organization.

Gibson was supposed to receive their questions in advance and will decide which ones to ask. Gibson is, the rules say, to cut off a person if the question is switched. He is also to try to make sure the topics cover a range of issues.

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But all roads may lead to Iraq this evening, with the Bush administration's execution of the war having dominated the news this week.

Referring to a new report from the chief U.S. weapons hunter in Iraq that concluded there were no weapons of mass destruction when the United States attacked in March 2003, Kerry on Thursday said the findings show "definitive evidence" why Bush should be denied a second term.

Bush, faced with the report, said the United States was "right to take" action because the country is "safer today" with Saddam Hussein in prison because he retained the "intent" to gain WMD.

Ken Mehlman, Bush's campaign manager, said in a conference call with reporters Thursday that Kerry will be pressed to explain his notion that the United States must pass some "global test" when it comes to protecting the country against terrorists. Bush has labeled this the "Kerry Doctrine," intended to draw the contrast with his "Bush Doctrine," under which the United States launched the preemptive Iraqi strike.

Glenn, my undecided voter friend who lives in the battleground state of Michigan -- he goes back and forth whenever we talk -- said he was probably going to make up his mind after tonight.

527 ads aimed at Obama

In August, I wrote about the creation of Empower Illinois, a 527 political group established to nick some dents into Democratic Senate nominee Barack Obama. Conservative activist Jack Roeser told me Wednesday he gave \$40,000 to the group, which will start running television ads in Downstate markets Monday dealing with "terrible votes" cast by Obama, a state senator.

Roeser said he recently hosted a funder for GOP Senate nominee Alan Keyes in Carpentersville that took in about \$10,000. According to Keyes spokesman Connie Hair, former United Nations Ambassador Jeane Kirkpatrick will headline a lunch for Keyes in Chicago next Thursday.

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EXHIBIT G

Tue August 17, 2004 19:01 EDT

Keyes explains 'marketed-oriented' approach to slave reparations

MIKE ROBINSON

Associated Press Writer

CHICAGO (AP) _ Republican U.S. Senate candidate Alan Keyes assured conservatives Tuesday that despite his remark a day earlier that an argument can be made for providing reparations to slave descendants, he opposes any ``effort to extort money damages from the American people."

``The idea I have often put forward to address this challenge involves a traditionally Republican, conservative and market-oriented approach," Keyes said in a statement issued by his campaign after aides said a number of conservatives called to express concern.

Keyes said his plan to exempt slave descendants from federal taxes rather than make reparations payments to them would ``encourage business ownership, create jobs and support the development of strong economic foundations for working families."

It ``takes no money from other citizens while righting the historic balance that results from the truth that black slaves toiled for generations at a tax rate that was effectively 100 percent," Keyes said.

``I have consistently opposed the effort to extort monetary damages from the American people," he said.

Campaign aides said Keyes would meet Wednesday with wealthy entrepreneur and outspoken conservative Jack Roeser to discuss the issue.

Roeser told The Associated Press on Tuesday that he had planned to make an independent expenditure of \$100,000 to publicize Democrat Barack Obama's state Senate record on taxes and other issues and compare it to the views of Keyes. But he said he would not if Keyes backs reparations.

``I feel very much like the average conservative guy about this," Roeser said. ``This will not fly. Mr. Keyes is a philosopher and he cannot let loose talk sit there, because it's very disturbing."

Roeser said he wouldn't discuss the independent expenditure with Keyes, which would be illegal under federal law.

At a news conference earlier Tuesday, a fired up Keyes discussed the debate over expanding O'Hare International Airport, an issue he has yet to take a stand on, saying the multi-billion dollar issue is paralyzed by political corruption.

``It's sort of like you're sitting in a room and off in a corner of the room is a deeply smelly toad that is filling the room with a nasty odor," Keyes said. ``And everybody is holding their cocktails and wearing their ties and they're not talking about this smelly toad but the room is filled with the stink of it."

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“That stink is political corruption,” he said. “That stink is the willingness to undermine what needs to be done for the people so that you can serve your power interest and your political interest. And this stink is in everybody’s nostrils.”

O’Hare is beset by delays because of congestion, and federal officials are pushing Chicago to come up with a solution.

Mayor Richard M. Daley and members of the business community want to expand O’Hare while Republicans want to build another major Chicago-area airport at Peotone in the far south suburbs. The debate has raged for years.

Keyes offered no specifics about what he meant by political corruption but he seemed to suggest he meant political bickering over jobs and contracts. Democrats control Chicago politics and the jobs and lucrative contracts at O’Hare and Midway; Republicans would likely have more influence under the Peotone plan.

A spokesman for Obama, Robert Gibbs, said the Democratic candidate favors a compromise under which O’Hare would be expanded and a new airport built.

Keyes, a former diplomat and conservative commentator from Maryland, stepped in as the GOP Senate candidate this month after primary winner Jack Ryan dropped out.

He promised to make a decision on O’Hare as soon as possible.

Keyes did say he had become convinced that U.S. Rep. Jesse Jackson Jr., D-Ill., who represents the south suburbs and has broken with most Democrats by backing a new airport, was correct in saying the south suburbs haven’t had their fair economic share.

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EXHIBIT H

Chicago Sun-Times

Scott Fornek

August 19, 2004

Keyes won't back down on reparations

His voice rising to a yell, Republican U.S. Senate nominee Alan Keyes told a bipartisan civic group Wednesday he "will not budge" from his belief that descendants of slaves should be exempted from income taxes to help heal the wounds of past discrimination and segregation.

The former presidential candidate disdainfully brushed aside questions over whether his suggestion should apply to rich African Americans such as Tiger Woods, Michael Jordan or Oprah Winfrey.

"Do you know how many Oprah Winfreys there might have been running around in the 1930s or in the 1920s or in the 19-teens that got nowhere because the doors were shut in their face?" Keyes thundered. "If you think that because I wear a conservative label, I have forgotten that history and am not mindful of that injustice -- then I will tell you now that you are wrong."

Keyes delivered his blistering defense at a luncheon of the City Club of Chicago, scolding fellow conservatives who challenged his proposal and evoking the struggle of his African-American parents, saying they had talent and "hearts and spirit and strength and faith."

"Why didn't they get to a point where they could stand on this platform?" Keyes asked.

Vying against Democrat Barack Obama, Keyes drew heat from conservatives earlier this week when he proposed exempting descendants of slaves from income taxes for a generation or two, a view he insists "involves a traditionally Republican, conservative and market-oriented approach."

On Wednesday, Keyes ridiculed the fuss over his position, saying it is simply a tax break, something "Republicans and my conservative brethren" don't object to when applied to a "wealthy corporation."

Conservative activist Jack Roeser met with Keyes for what Roeser called "a long argument and an intense one" over the issue before the speech. A Barrington businessman, Roeser said he still is not sold on Keyes' reparations proposal, but still plans to support him anyway. "I will tell my friends that this is a good man, and we should support him."

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EXHIBIT I

SPRINGFIELD JOURNAL REGISTER

Obama stars on Governor's Day 'I don't take things for granted,' he tells Democrats

By DOUG FINKE
STATE CAPITOL BUREAU

Wednesday was Governor's Day at the Illinois State Fair, but there is no question that the real star of the day was U.S. Senate candidate Barack Obama.

Fresh from gaining national exposure at the Democratic National Convention, Obama, a state senator from Chicago, was greeted with wild enthusiasm at every appearance on the fairgrounds, even as he cautioned the party faithful not to get over confident about an election still nearly three months away.

"I don't take things for granted," Obama said at the traditional Democratic state fair rally. "I'm not going to screw around with 80 days left (until the election). I'm going to work harder the last 80 days than I did the first 18 months."

Five months ago, Obama was just another Democratic candidate ready to square off against Republican Jack Ryan. But Ryan quit the ticket after allegations surfaced that he had taken his ex-wife to sex clubs in the 1990s.

Obama was catapulted into the national spotlight when he gave the keynote address at the Democrats' national convention three weeks ago. His stature was further embellished by the Republicans' inability to lure another candidate to run against him. The Republicans finally chose conservative pundit Alan Keyes of Maryland.

"Despite the fact we have 12.5 million people in Illinois, (the Republicans) could not find one person to run for U.S. Senate," crowed U.S. Sen. Dick Durbin of Springfield. "Do you need a candidate for Senate who can find Annapolis (Maryland), but not Illiopolis or Teutopolis?"

Rockford Mayor Doug Scott said a number of Republicans had attended an Obama appearance there soon after the Democratic convention.

"There were a lot of Republicans in the crowd that just said: 'I like this guy. I believe in this guy,'" Scott said. "It almost has a Paul Simon feel. You know, I don't really agree with this guy on a lot of issues, but I believe what he says. I believe he is sincere."

Ciney Eads of Cerro Gordo said he had supported Blair Hull in the March Democratic primary. "I can see why (Obama) won the way he did," Eads said. "I think he's one of those people who cannot only talk to people, but he listens to what they have to say, which a lot of politicians don't do."

Some Republican officials believe Keyes will motivate more GOP voters to go to the polls Nov. 2 and could help tip the scales in favor of the party in key legislative races. Democrats control the Illinois House and Senate, and Gov. Rod Blagojevich is a Democrat.

House Speaker Michael Madigan, D-Chicago, chairman of the Illinois Democratic Party, isn't so sure that's going to happen.

"From what I've read of Keyes' statements, he's going to bring a lot of people to the polling place to make sure that he loses," Madigan said.

In Chicago on Wednesday, Keyes gave a 30-minute luncheon speech before the City Club of Chicago and faced questions about his recent suggestion that descendants of American slaves be exempt from paying federal income taxes for a generation or two as a form of reparation. That has raised the ire of Republican conservatives, but Keyes stood by the proposal as a way to stimulate economies in black communities.

"If somebody thinks that I'm going to back away from my belief that we can take this step to create an environment of opportunity for people who were deprived of that opportunity systematically ... let it be heard throughout this state: I will not budge," Keyes told an audience of about 300. "I will stand in defense of justice for them, and that is how it's going to be."

Conservative Republican Jack Roeser downplayed Keyes' remarks and said he'll help raise funds on behalf of the candidate. The two had had a private meeting earlier Wednesday to discuss their views on a range of issues.

"I think for thoughtful people and for real conservatives, they ought to put it behind them," Roeser said of the reparations issue. "(Keyes) is not going to hurt them there, but he is going to shock the black community into realizing that Democrats sure in hell haven't served the black people very well."

Obama has said he doesn't support slavery reparations. Both he and Keyes are African-American.

Keyes, a 54-year-old former presidential candidate, planned to attend Republican Day today at the state fair, an adviser said earlier this week.

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EXHIBIT J

ILLINOIS LEADER

Alan Keyes on Reparations

Tuesday, August 17, 2004

By The Leader-Chicago Bureau

CHICAGO -- Republican U.S. Senate candidate Alan Keyes has just released a statement clarifying what appeared to be a surprising position he took at a news conference yesterday.

"I think a cogent argument could be made for reparations in principle," Keyes is quoted as saying to reporters yesterday, according to the Chicago Sun-Times.

The Chicago Tribune expanded:

Keyes gave a brief tutorial on Roman history and said that in regard to reparations for slavery, the U.S. should do what the Romans did: "When a city had been devastated [in the Roman empire], for a certain length of time--a generation or two--they exempted the damaged city from taxation."

Keyes proposed that for a generation or two, African-Americans of slave heritage should be exempted from federal taxes--federal because slavery "was an egregious failure on the part of the federal establishment."

The response from conservatives was immediate. "Who downstate will now vote for Keyes?" wrote IllinoisLeader.com reader Randall Mead of Springfield today. "I certainly won't."

This afternoon, Keyes released the following statement, clarifying his position:

I have consistently opposed the effort to extort monetary damages from the American people. As I have argued in the past, the great sacrifices involved in the Civil War represented the requital in blood and treasure for the terrible injustices involved in slavery. In this form the so called "reparations" movement represents an insult to the historic commitment that many Americans made to the end of slavery, which included the sacrifice of their lives.

I have also consistently maintained that the history of slavery, racial segregation and discrimination did real damage to black Americans, left real and persistent material wounds in need of healing.

In various ways through the generations since the end of slavery, America has tried to address this objective fact, but without real success. This was at least in part the rationale for many elements of the Great Society programs of the sixties, and for the original and proper concept of affirmative action developed under Republican leadership during the Nixon years.

Unfortunately, the government-dominated approaches of the Great Society, which purported to heal and repair the legacy of historical damage, actually widened and deepened the wounds. They undermined the moral foundations of the black community and seriously corrupted the family structure and the incentives to work, savings, investment, and business ownership.

The idea I have often put forward to address this challenge involves a traditionally Republican, conservative and market-oriented approach: removing the tax burden from the black community for a generation or two in order to encourage business ownership, create jobs and support the development of strong economic foundations for working families.

This has the advantage of letting people help themselves, rather than pouring money into government bureaucracies that displace and discourage their own efforts. It takes no money from other citizens, while righting the historic imbalance that results from the truth that black slaves toiled for generations at a tax rate that was effectively 100 percent.

I have also made it clear that while I believe that the descendants of slaves would be helped by this period of tax relief, my firm goal and ultimate objective is to replace the income tax, and thereby free all Americans from this insidious form of tax slavery. It is well known that this is one of the key priorities of the Keyes campaign.

In response to Keyes' statement, conservative Jack Roeser of Family Taxpayers Network told IllinoisLeader.com, "I expect Keyes would say this is one of those interesting subjects to be talked about among people sharing ideas. Reparations is an impractical concept. Everybody in every category has been wronged in one or the other, and you cannot single one out."

Roeser continued, "Keyes is a man of ideas, and I expect he gets into discussions like this that are proper in their proper place, but that he would never vote for reparations. The problem with American politics is that people don't get into deep discussions."

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EXHIBIT K

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Keyes warmly received during stump in C'ville

By Teresa Black
STAFF WRITER

CARPENTERSVILLE — Republican U.S. Senate candidate Alan Keyes didn't disappoint those expecting his trademark campaign bombast at a fund-raiser Saturday.

As he rattled off each of a list of perceived inconsistencies in his opponent Barack Obama's record, Keyes encouraged his audience to chant in refrain, "Obama been lying."

Get it? Like "Osama bin Laden"?

Keyes' well-received, lighthearted rhetoric aside, his appearance at a family barbecue sponsored by the Family Taxpayers Network served as occasion for several hundred area Republicans to reflect on moral tenets of their party and condemn corruption in state and Chicago politics in recent years.

Keyes vowed to address what he described as a crisis of moral principals and spoke against abortion and gay marriage.

"This country was built on the strength of moral principles and it will stand on those principles," Keyes said.

At times raising his voice into a preacher-like delivery, he went on to say he would promote small business and tort reform, and work to bring power out of the hands of a small group of Chicago Democrats.

While Keyes has fielded criticism for moving from Maryland to enter an Illinois race, the Family Taxpayers Network's Jack Roeser said his detachment from state political scandals could help him with Illinois voters.

Roeser first met Keyes after the candidate gave a speech in Chicago in early September, and afterward told reporters he was impressed with Keyes' debate skills and steadfast adherence to his beliefs.

"I told them, 'Everybody should vote for Keyes,' " Roeser said. "He should be inflicted on the U.S. Senate."

Roeser said he has given \$40,000 to a political group that supports Keyes and plans to donate another \$4,000.

His fund-raiser barbecue at Otto Park attracted Kane County board members John Noverini, Lee Barrett and Margaret Scalfaro, as well as Carpentersville Trustee Nancy Moore and Citizens for Fiscal Reform's Pat Schultz, among other local politicians.

But Roeser said he also held the fund-raiser Saturday to help ordinary folks make up their mind about what Keyes is like.

Barbara Trese, an 81-year-old social worker from Elgin, said she was sold even before Keyes' speech and agreed with his stances on issues printed on a campaign flier.

Well, most of them. Taking a second look at the list, she said she had mixed feelings about abortion and marriage laws, and wanted to hear an explanation of how he would help eliminate the federal income tax.

"There are a lot of gray areas," Trese said. "It's very hard to make a choice, but overall I'm interested."

Kane County Recorder Sandy Wegman, who introduced Keyes, said before his arrival that she looked past Keyes' more controversial campaign remarks, like implying homosexuals are selfish hedonists, to put more focus on the economy and jobs.

"I think he just had a late start," Wegman said. "I think he's gotten more involved in Illinois issues."

Arlen Williams, who drove to the event from West Chicago, said Keyes' tactics have helped bring more politicians' attention to corruption and faith-related issues — and that's a good thing.

"I think that we need some major changes in Illinois," Williams said. "I think that Keyes is going around lighting fires."

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EXHIBIT L

CRAIN'S CHICAGO BUSINESS

Keyes guarantees rocky ride for GOP
Moderates, fund-raisers balk; future battles seen

August 16, 2004

By Greg Hinz

Party apart: Conservatives in the Illinois Republican Party "are ecstatic" over Alan Keyes' entry into the Senate contest, says a consultant. But his candidacy also has intensified infighting among party factions. AP/Wideworld photo

An Illinois Republican Party that desperately needs a shot in the arm may be getting a much bigger jolt than it's prepared for, courtesy of Alan Keyes, the party's fiery new Senate nominee.

The former presidential candidate turned Illinois pol already has displayed a knack for grabbing headlines and motivating the GOP's potent religious right here. Some party leaders, like U.S. House Speaker J. Dennis Hastert from Kendall County, argue that Mr. Keyes will grow on voters as they compare his positions with those of the Democratic nominee, state Sen. Barack Obama.

But, at the same time, signs of trouble are flashing.

Party moderates, who dislike Mr. Keyes' views on cultural issues, are threatening to sit out his race. "I haven't been asked" to support him, says U.S. Rep. Judy Biggert, R-Hinsdale, a leader among party moderates. "I disagree with him on a lot of issues. . . . I'd have to talk to him first before deciding."

Equally disaffected are key fund-raising figures in the business community, who consider Mr. Keyes weak on free-trade issues.

Should those groups continue to balk, a big Keyes loss this fall will constitute so many bombshells in a long-looming war for the soul of the party, with implications for the 2006 gubernatorial race and other contests, insiders say.

A big Keyes loss will "leave the moderates and the conservatives reaching for each other's throats," predicts top GOP campaign operative Glenn Hodas, who has worked for candidates in both camps. "Both sides are going to blame the other."

Of course, Mr. Keyes could surprise most observers and fare well. But that would only boost conservative efforts to clean house and change the party's direction

The potential for factional warfare within the state GOP have been building for decades. The party's long-term domination of both the Governor's Mansion and the General Assembly made it top-heavy, complacent and, according to conservatives, more concerned about making money than building an organization.

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Unlike the Democrats, "We have not built a farm team in Illinois," says Michael Stokke, the top political aide to Mr. Hastert. "You have to bring people along."

Leadership breakdown

"The real story is the utter failure of Republican institutional leadership," says Chicago attorney Joseph Morris, a veteran conservative leader. "The royalists were in charge."

The leadership gap widened after the 2002 elections, when the party lost not only the governorship but its longtime House and Senate leaders. All the barely suppressed frustrations within the ranks finally bubbled over this spring when conservative Jack Ryan folded his Senate race amid racy disclosures from his divorce files.

Much of the GOP's conservative wing argued that Mr. Ryan had been unfairly forced out by moderates like state party Chairwoman Judy Baar Topinka. (Ms. Topinka, the state treasurer, was unavailable for comment.) When she failed to find a replacement candidate for Mr. Ryan despite a month of looking, the conservatives and Mr. Keyes made their move.

Conservatives "are ecstatic" over Mr. Keyes' selection, says GOP consultant and political Web site co-founder Brian Timpone. "The super hard core loves Keyes" and his focus on issues like abortion, gay marriage and abolishing the income tax.

State Senate Republican Leader Frank Watson hopes that street fervor will translate into gains this November.

But even some conservatives have reservations.

"Keyes is a little bit arrogant, and he comes across as uncivil," says Greg Blankenship, a low-tax Libertarian who directs the Illinois Policy Institute, a Springfield-based think tank. "I don't think that plays well."

Money issues

Moderates take that a step farther. "They got what they wanted. They can pay for his race," snarls one party leader, who asks not to be named.

DuPage County GOP Chairman Kirk Dillard pulls no punches. The state senator from Hinsdale says the selection of Mr. Keyes "does not help me" attract female and minority voters, and his trade views "are not good for the party's fund-raising apparatus."

Mr. Keyes replies that party unity counts. "Everybody benefits from a Keyes campaign," he told Crain's in a phone interview.

But money is a problem. Mr. Keyes will be able to count on anti-abortion activists such as Jack Roeser, president of Illinois Family Taxpayers Network, who says he'll contribute around \$100,000 to an independent committee that will help the pro-Keyes effort get started. And the party can give him some limited help. What Mr. Keyes really needs, however, is to tap the huge corporate network that generally helps Republicans. While Mr. Obama has his own problems

with recent U.S. trade policy, it's Mr. Keyes who needs corporate help to raise the at least \$3 million he'll need to mount a credible race.

Trade matters

"I'm not a mindless free-trader," says Mr. Keyes, who has harshly criticized the North American Free Trade Agreement, calls U.S. involvement in the World Trade Organization "unconstitutional," proposes higher tariffs and, like Mr. Obama, would have voted against giving the president "fast track" authority to negotiate more trade deals. "I'm not against trade," he says, but, "the free traders have to listen when people tell them that this is hurting (working-class Americans)."

Gerald Roper, president and CEO of the Chicagoland Chamber of Commerce, says such views "could be a deal-breaker for him" with potential business donors. Michael Lynch, treasurer of the political action committee at Glenview-based Illinois Tool Works Inc., says his panel is still weighing lots of factors but concedes a call for higher tariffs "would give me some heartburn."

However that plays out, the GOP is scheduled to replace Ms. Topinka as state chairwoman shortly after the November vote, and then will have to gear up for the 2006 gubernatorial contest.

"Are (moderates) going to back Obama?" asks Patrick O'Malley, a conservative who ran for governor in 2002 and plans to do so again in 2006. "There's a restructuring going on in the Republican Party now. No one controls it."

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EXHIBIT M

DAILY HERALD

New ad to criticize Obama's votes on crime, abortion

By Eric Krol Daily Herald Political Writer

Posted Tuesday, October 12, 2004

As the two major-party U.S. Senate candidates prepare to debate tonight, a new ad attacking Democratic hopeful Barack Obama for being too liberal is set to make its debut.

The ad, titled "What Do We Really Know About Barack Obama?" is the work of Empower Illinois, an independent 527 group allowed under the recent federal campaign finance reform law.

Obama and Republican opponent Alan Keyes are scheduled to debate at 7 p.m. tonight at the Old State Capitol in Springfield. It can be heard on WBBM 780-AM.

The 15-second ad, which will air this week on radio in the Chicago area and on TV in Springfield, calls into question three Obama votes during his career as a state senator.

The ad criticizes Obama for votes on tougher sentences for criminals, abortion and sex education.

Obama spokesman Robert Gibbs said the argument that Obama is soft on crime doesn't hold any water, pointing out Obama's been endorsed by the Fraternal Order of Police.

"This is just a ridiculous attempt to try to scare people with fake information," Gibbs said.

Obama, who had raised more than \$10 million as of June 30 and will file an updated finance report this week, has yet to air TV ads in the Chicago area during the fall campaign.

His campaign has TV ads running downstate and Obama has been busy raising cash for other Democratic candidates across the country.

Empower Illinois and its separate media fund are run by Jeff Davis, who worked for then-Republican Senate nominee Jack Ryan until he left the race. One of Empower Illinois' biggest donors is Jack Roeser, a Carpentersville businessman who started the conservative Family Taxpayers Network.

By law, Keyes' campaign cannot have anything to do with Empower Illinois' activities. The ad, however, does include criticisms that Keyes has lobbed at Obama while campaigning.

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EXHIBIT N

Tue October 12, 2004 16:36 EDT
Anti-Obama ad begins on central Illinois TV

SPRINGFIELD, Ill. (AP) _ A television ad criticizing Senate candidate Barak Obama's legislative record began airing in central Illinois Tuesday, the day of the first public debate between Obama and Republican Alan Keyes.

The ad isn't from the Keyes campaign, however. A group called Empower Illinois, run by an aide to former Republican Senate candidate Jack Ryan, is sponsoring the ad.

Jeff Davis of Chicago says he has raised \$100,000 and plans to run the ad in Springfield, Champaign and Decatur through Friday and perhaps show it in other places too.

Davis said Obama, a state senator from Chicago, has not had to defend his record because of Ryan's withdrawal this summer amid sex club allegations in his unsealed divorce records and the sometimes rocky campaign of Keyes, a Maryland Republican recruited by the Illinois Republican Party to replace Ryan.

The 30-second ad criticizes Obama's votes on crime, education and abortion during his seven years in Springfield.

"We tried to stick to his record in the state senate because we know he's out of step with the Illinois voter," Davis said. "We want to make sure that people get a chance to at least take a look at it so they can make an informed decision before election day "

Obama spokesman Robert Gibbs did not immediately return a phone call seeking comment. Keyes spokeswoman Connie Hair was unfamiliar with the ad and said the campaign had no connection to Davis.

Keyes has not run any television advertising of his own.

Davis said the ad is running about a half-dozen times a day and cost \$25,000 to air through Friday. He plans to continue running it after that but has not decided whether to keep it in the central Illinois market or take it to the Chicago area, southern Illinois or elsewhere.

Tuesday night's debate, to be held at the Old State Capitol in Springfield, was the first of three agreed to by the Obama and Keyes campaigns.

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JEFF DAVIS is listed on Jack Ryan's FEC report as a consultant for "political consulting services"

See p. 533 of the report on the below link

http://images.nictusa.com/cgi-bin/fecgifpdf/?_15386+24020551719.pdf

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EXHIBIT O

August 18, 2004

Keyes on reparations for descendants of slaves

In answer to a question raised by the press August 16, asking if he "supports reparations" for black Americans, Alan Keyes said he felt a **tax break** for descendants of slaves might be appropriate "in principle."

Noting that black slaves "were deprived of any opportunity to build wealth the way people would ordinarily build wealth," Keyes suggested that tax breaks offered a reasonable solution to the legacy of material disadvantage that continues today among African-Americans of slave heritage.

Keyes added, "I think a cogent argument could be made for such 'reparations' in principle."



Alan Keyes accepts the Illinois Republican Party's nomination for U.S. Senate, August 8

Tuesday afternoon, Keyes released the following statement, elaborating his position on the reparations issue:

"I have consistently opposed the effort to extort monetary damages from the American people. As I have argued in the past, the great sacrifices involved in the Civil War represented the requital in blood and treasure for the terrible injustices involved in slavery. In this form the so called 'reparations' movement represents an insult to the historic commitment that many Americans made to the end of slavery, which included the sacrifice of their lives.

"I have also consistently maintained that the history of slavery, racial segregation and discrimination did real damage to black Americans, left real and persistent maternal wounds in need of healing.

"In various ways through the generations since the end of slavery, America has tried to address this objective fact, but without real success. This was at least in part the rationale for many elements of the Great Society programs of the sixties, and for the original and proper concept of affirmative action developed under Republican leadership during the Nixon years.

"Unfortunately, the government-dominated approaches of the Great Society, which purported to heal and repair the legacy of historical damage, actually widened and deepened the wounds. They undermined the moral foundations of the black community and seriously corrupted the family structure and the incentives to work, savings, investment, and business ownership.

"The idea I have often put forward to address this challenge involves a traditionally Republican, conservative and market-oriented approach: removing the tax burden from the black community for a generation or two in order to encourage business ownership, create jobs and support the development of strong economic foundations for working families.

"This has the advantage of letting people help themselves, rather than pouring money into government bureaucracies that displace and discourage their own efforts. It takes no money from other citizens, while righting the historic imbalance that results from the truth that black slaves toiled for generations at a tax rate that was effectively 100 percent.

"I have also made it clear that while I believe that the descendants of slaves would be helped by this period of tax relief, my firm goal and ultimate objective is to replace the income tax, and thereby free all Americans from this insidious form of tax slavery. It is well known that this is one of the key priorities of the Keyes campaign."